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**FISCAL IMPACT STATEMENT**

**LS 7390**

**BILL NUMBER:** SB 585

**NOTE PREPARED:** Jan 9, 2013

**BILL AMENDED:**

**SUBJECT:** State and Local Administration.

**FIRST AUTHOR:** Sen. Charbonneau

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill permits a licensed owner who operates a riverboat in Gary to submit to the Gaming Commission a plan for the construction of an inland casino. It provides that not more than one riverboat gambling operation may be relocated. It makes conforming changes. It removes obsolete provisions concerning the original riverboat licensing process.

The bill requires the Department of Local Government Finance (DLGF) to increase the maximum property tax levy of the city of Gary. It decreases the maximum property tax levy of the Gary Sanitary District to zero, and provides that beginning with property taxes first due and payable after December 31, 2013, the district may not impose a property tax levy for its General Fund.

Effective January 1, 2014, changes the membership of the board of an airport authority originally established by the city of Gary. It specifies that the affirmative votes of at least six members of the board are necessary to authorize any action of the airport authority, but provides that for certain matters this minimum number of affirmative votes must include the affirmative vote of the members appointed by the governor to serve as chairperson of the board.

The bill specifies that the Indiana Finance Authority (IFA) shall contract with a certified public accountant for an annual financial audit of the airport authority. It provides that the State Board of Accounts may at any time conduct an audit of any phase of the operations of the airport authority.

The bill requires the Ports of Indiana Commission to report to the Budget Committee not later than December 1, 2013, on the feasibility and economic impact of establishing a second port to serve Lake Michigan.

The bill requires the State Department of Health (ISDH) to investigate and study whether there is a need for a level 1 trauma center in northwestern Indiana.

**Effective Date:** July 1, 2013; January 1, 2014.

**Explanation of State Expenditures:** *Riverboat Admission Tax Displacement:* The relocation of one Gary riverboat casino to a land-based facility in Gary (along with the elimination of the remaining Gary riverboat casino) would likely result in a shift of the business from the Gary riverboat casinos to the land-based facility. It would also likely result a shift of some business to the land-based casino from casinos in East Chicago and Michigan City. This shift in business would reduce the admission tax collected from these casinos and distributed to East Chicago, Michigan City, the State Fair Commission, and the Division of Mental Health. The reduction in admission tax distributions to these entities would increase annual payments made from the state General Fund to offset shortages in admission tax distributions. The shift would also result in an increase in admissions tax revenues collected by the inland Gary casino.

Under current statute, local units, the Division of Mental Health, and the State Fair Commission, which receive admission tax revenue, are annually guaranteed to receive an amount of revenue equal to the distribution amount received in FY 2002. If the distribution received in a fiscal year is less than the FY 2002 distribution amount, the local unit or state agency receives a hold-harmless payment equal to the shortage from the state General Fund by September 15th of the following fiscal year. Because of this guarantee, there would be no impact on the entities receiving admissions tax. The change in admission tax distributions to these entities would not impact annual payments made from the state General Fund to offset shortages in admission tax distributions, unless there is a net increase or decrease in the total casino patrons as a result of this bill.

*Indiana Gaming Commission:* The provisions of the bill dealing with relocation of one of the Gary riverboat casinos to an inland casino location within Gary will result in additional administrative responsibilities for the IGC. The fiscal impact that might arise from this new responsibility is indeterminable. However, any additional expenses would be paid from riverboat wagering tax revenue annually appropriated to the IGC for administrative purposes. (Note: Current statute provides that sufficient funds are annually appropriated to the IGC from riverboat wagering tax revenue deposited in the State Gaming Fund to administer the riverboat gambling laws.) The 2011-2013 biennial budget bill appropriated \$2.9 M annually in FY 2012 and FY 2013 from the State Gaming Fund to the IGC for administrative purposes.

*Gary Airport Authority Board* - The bill changes the airport authority's current board structure and ends the terms of existing members on January 1, 2014. The bill implements the following new structure:

- Four members appointed by the executive of the City of Gary;
- One member appointed by the county executive of Lake County;
- One member appointed by the county executive of Porter County;
- Five members appointed by the Governor as follows:
  - One member from list of nominees submitted by mayors of Hammond, East Chicago, and Crown Point;
  - One member from list of nominees submitted by mayors of Portage and Valparaiso;
  - One member to serve as chairman of the board;
  - Two members, each of whom must have experience of aviation, regional economic development, and/or business or finance.

Each member of the newly reconstituted board serves a term of 4 years. The Indiana Finance Authority will contract with a certified public account on behalf of the board to provide an annual financial audit and study

of internal accounting controls of the airport authority. Concurrently, the State Board of Accounts may at any time conduct an audit of any phase of the operations of the airport authority. The airport authority shall pay for all costs associated with these audits and studies.

*Ports of Indiana Feasibility Study* - The Ports of Indiana (Ports) will complete a feasibility study on the possibility of establishing a second port to serve Lake Michigan. The Ports will pay for the cost of this study out of its own revenue. In 1971, the General Assembly paid for a feasibility study on the port that ultimately became the Port of Indiana-Jeffersonville. The cost of the study at that time was \$50,000. Inflated to 2012 dollars, the same study today could cost roughly \$285,000. Using that information as well as comparisons on other port feasibility studies recently undertaken outside of Indiana, the study could potentially cost significantly more than this amount. A more exact cost estimate is not available at this time.

The Ports is a quasi-governmental agency that operates three ports - one on Lake Michigan and two on the Ohio River. The Ports operates under the direction of a seven-member board appointed by the Governor. The Ports generates its own operating budget from port leases, dock fees, and foreign-trade zone licensing.

*State Department of Health* - The bill requires the State Department of Health to investigate and study whether there is a need for a Level 1 trauma center in northwestern Indiana. The bill requires the State Department of Health to report its findings to the State Budget Committee not later than November 1, 2015.

**Explanation of State Revenues:** *Casino Relocation:* The bill allows the owner of a riverboat casino in Gary to construct an inland casino within the city limits of Gary upon approval of an inland casino plan by IGC. The bill allows only one riverboat casino operation in Gary to be relocated to an inland casino location. It requires that if the IGC approves a licensee's plan to relocate one Gary casino to an inland location, the license for the other Gary riverboat casino may not be renewed after December 31 of that year.

The potential state fiscal impact of one of the Gary riverboat casinos relocating to a land-based operation within Gary is indeterminable. The fiscal impact would depend on various factors such as ownership, facility attributes, market factors, and the likely shift of business to the land-based casino from casinos in East Chicago and Michigan City, and the closure of the remaining Gary riverboat casino docked on Lake Michigan.

The bill requires the inland casino plan to include the proposed design of the inland casino and any related facilities and amenities. The bill requires that the IGC evaluate the inland casino plan based on the following criteria:

- (1) The proposed facilities of the casino and any related facilities and amenities.
- (2) The highest prospective total revenue to be collected by the state from the conduct of gambling at the casino.
- (3) The good faith affirmative action plan of the licensed owner to recruit, train, and upgrade minorities in all employment classifications.
- (4) The financial ability of the licensed owner to purchase and maintain adequate liability and casualty insurance.
- (5) If the applicant has adequate capitalization to provide and maintain a casino for the duration of the license.
- (6) The extent to which the applicant exceeds or meets other standards adopted by the Commission. Upon evaluating the plan, the IGC must approve the plan if it determines that the plan: (1) promotes economic development within the city of Gary; (2) would result in property being available to the Ports of Indiana; and

(3) satisfies the requirements in the bill for an inland casino.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Casino Relocation:* The potential local fiscal impact of one of the Gary riverboat casinos relocating to a land-based facility within Gary is indeterminable. The relocation (along with the elimination of the remaining Gary riverboat casino) would likely result in a shift of the business from the Gary riverboat casinos to the land-based facility. It would also likely result a shift of some business to the land-based casino from casinos in East Chicago and Michigan City. This shift in business would reduce the admission tax and wagering tax collected from these riverboat casinos. The reduction in admission tax at these two riverboat casinos would not affect revenue to local units because the annual distributions are guaranteed by the state to equal the FY 2002 distribution level. So, any reduction would be paid by the state. (See Explanation of State Expenditures for further discussion.)

However, reductions in wagering tax collections at these two riverboat casinos could lead to reductions in wagering tax revenue distributed to East Chicago and Michigan City. Currently, East Chicago and Michigan City receive 25% of the wagering tax collected from their riverboat casinos up to a maximum of what each city received from that riverboat wagering tax in FY 2002. There is no state guarantee for wagering tax distributions. If the wagering tax reductions are sufficiently large, the 25% share to these cities could decline to levels below the FY 2002 cap levels. If the changes in the bill increases the total AGR from Gary casino, then it could lead to additional wagering tax revenues for Gary.

*Gary Sanitation District - Summary:* This bill would increase the maximum permissible levy for the city of Gary by \$4,944,930 beginning in CY 2014. The bill would also eliminate the maximum levy for the Gary Sanitary District. Overall, the combined maximum property tax levy for both units would be reduced by \$3.1 M per year. This bill would not affect debt levies.

Actual levies could increase by \$2.9 M in 2014 over the 2012 levy if the city chooses to use the additional maximum levy. But, under current law, the sanitary district may increase its levy by up to \$7.6 M. So the potential levy increase is smaller under the bill than under current law.

*Gary Sanitation District - Background:* From 2010 through 2013, the sanitary district's maximum levy has been frozen at \$7.6 M. In the sanitation general fund, the sanitary district levied \$4.9 M in CY 2010, \$3.0 M in CY 2011, and 0 in CY 2012. The district also had a \$2.7 M levy in the sanitary general fund in 2010.

**State Agencies Affected:** Department of Local Government Finance, Indiana Gaming Commission, State Department of Health, Ports of Indiana, Indiana Finance Authority.

**Local Agencies Affected:** City of Gary, Michigan City, East Chicago. Gary Sanitary District,

**Information Sources:** Local Government Database, Department of Local Government Finance.

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